

**REPORT OF THE AUDIT OF THE  
SHELBY COUNTY  
CLERK**

**For The Year Ended  
December 31, 2002**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**Auditor of Public Accounts**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Robert Rothenburger, Shelby County Judge/Executive  
Honorable Sue Carole Perry, Shelby County Clerk  
Members of the Shelby County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, PSC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Shelby County, Kentucky, for the year ended December 31, 2002.

We engaged Carpenter, Mountjoy & Bressler, PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, PSC evaluated the Shelby County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE SHELBY COUNTY CLERK

For The Year Ended  
December 31, 2002

Carpenter, Mountjoy & Bressler has completed the Shelby County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$35,960 from the prior calendar year, resulting in excess fees of \$289,520 as of December 31, 2002. Revenues increased by \$309,162 from the prior year and disbursements increased by \$345,122.

#### **Grants:**

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$30,934 during the year ended December 31, 1998. The full amount of the grant has been expended as of December 31, 2002.

The County Clerk received a grant award in the amount \$1,331 from the Kentucky Department for Libraries and Archives during calendar year 2001 for the purchase of canvas book covers and book rebinding. As of December 31, 2002 the full amount of the grant has been expended.

#### **Leases:**

The County Clerk's office is committed to the following leases.

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2002
Computer	Annual	5 years	9/9/2005	\$ 3,033
Software	\$ 1,525	37 months	12/31/2005	54,900
Hardware	\$ 2,616	38 months	12/29/2005	94,176
Totals				<u>\$ 152,109</u>

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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*Certified Public Accountants and Consultants*

To the People of Kentucky  
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Finance and Administration Cabinet  
Honorable Robert Rothenburger, Shelby County Judge/Executive  
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Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Shelby County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

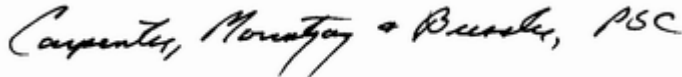
As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
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Honorable Robert Rothenburger, Shelby County Judge/Executive  
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In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in dark ink on a light-colored background.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
October 21, 2003

SHELBY COUNTY  
SUE CAROLE PERRY, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Fees For Services	\$	13,082
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Fiscal Court		8,734
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	824,295
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Usage Tax		4,141,001
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Notary Fees		4,892
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Lien Release Fees		9,031
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Tangible Personal Property Tax		2,413,797
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Miscellaneous Income		28,410
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Licenses-

Marriage		9,315
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Deed Transfer Tax		204,833
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Delinquent Tax	533,343	8,168,917
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	29,208
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Real Estate Mortgages		124,636
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Chattel Mortgages and Financing Statements		89,323
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Powers of Attorney		2,416
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Releases		42,418
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Wills and Estates		1,034
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Liens		7,484
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All Other Recordings		8,309
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Charges for Other Services-

Candidate Filing Fees		2,220
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Copywork	3,819	310,867
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Other:

Child Victim Fund Donations	\$	88
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Postage		3,394
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Refunds	13,812	17,294
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Interest Earned		2,641
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Total Receipts	\$	8,521,535
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The accompanying notes are an integral part of this financial statement.

SHELBY COUNTY  
 SUE CAROLE PERRY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 630,817

Usage Tax 4,014,426

Tangible Personal Property Tax 954,391

Licenses, Taxes, and Fees-

Delinquent Tax 65,736

Legal Process Tax 34,759

Candidate Filing Fees 1,200 \$ 5,701,329

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 269,874

Delinquent Tax 47,456

Deed Transfer Tax 194,591 511,921

Payments to Other Districts:

Tangible Personal Property Tax \$ 1,092,954

Delinquent Tax 295,968 1,388,922

Payments to Sheriff 4,465

Payments to County Attorney 78,215

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 248,452

Training Fringe Benefit 2,964

Employee Benefits-

Employer's Paid Health Insurance 45,542

Uniforms 5,915

Contracted Services-

Microfilming and Indexing 51,894

Preparation of Property Tax Bills 5,602

Web Site 15,178

Materials and Supplies-

Office Supplies 1,104

The accompanying notes are an integral part of this financial statement.

SHELBY COUNTY  
 SUE CAROLE PERRY, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay (Continued)

Other Charges-			
Postage	\$	8,751	
Dues		2,671	
Refunds		18,759	
Bank Charges		311	
Miscellaneous		65,470	
Capital Outlay-			
New Equipment		2,442	
Office Equipment		1,803	\$ 476,858
Total Disbursements			\$ 8,161,710
Net Receipts			\$ 359,825
Less: Statutory Maximum			66,705
Excess Fees			\$ 293,120
Less: Expense Allowance			3,600
Excess Fees Due County for 2002			\$ 289,520
Payments to County Treasurer - February 21, 2003			289,520
Balance Due at Completion of Audit			\$ 0

The accompanying notes are an integral part of this financial statement.

SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

SHELBY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2002  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$30,934 during the year ended December 31, 1998 and. The full amount of the grant has been expended as of December 31, 2002.

The County Clerk received a grant award of \$1,331 from the Kentucky Department for Libraries and Archives during 2001 for the purchase of canvas book covers and book rebinding. As of December 31, 2002 the full amount of the grant has been expended.

Note 5. Leases

The Clerk's office is committed to the following lease agreements as of December 31, 2002:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2002
Computer	Annual	5 years	9/9/2005	\$ 3,033
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Hardware	\$ 2,616	38 months	12/29/2005	94,176
Totals				<u>\$ 152,109</u>

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Shelby County Clerk for the year ended December 31, 2002, and have issued our report thereon dated October 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Shelby County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

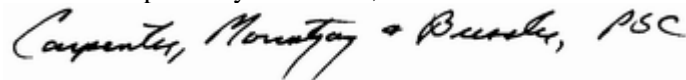
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Shelby County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler, PSC

Audit fieldwork completed -  
October 21, 2003

